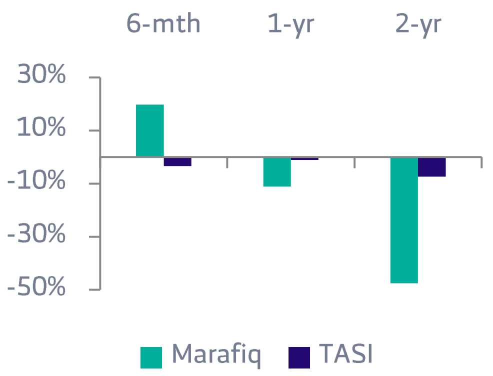
Unexpected 2Q Loss

August 09, 2026

Upside to Target Price	35.1%	Rating	Buy
Expected Dividend Yield	4.7%	Last Price	SAR 37.00
Expected Total Return	39.8%	12-mth target	SAR 50.00

Market Data	
52-week high/low	SAR 45.3/28.4
Market Cap	SAR 7,810 mln
Shares Outstanding	250 mln
Free-float	30.0%
12-month ADTV	558,890
Bloomberg Code	MARAFIQ AB



MARAFIQ	2Q2026	2Q2025	Y/Y	1Q2026	Q/Q	RC Estimate
Sales	1,714	1,403	7%	1,815	(6%)	1,925
Gross Profit	202	(152)	-	340	(41%)	364
Gross Margins	19%	(11%)		19%		19%
Operating Profit	141	310	(54%)	316	(56%)	339
Net Profit	(46)	110	-	128	-	138

(All figures are in SAR mln)

- Marafiq disappointed, posting a loss for the quarter due to weaker water segment revenues and higher fuel charges. Revenues were up +7% Y/Y (HIECT adjustment of SAR 434 mln in 2Q2025) but down -6% Q/Q to SAR 1.7 bln and fell short of our SAR 1.9 bln forecast. Management has stated that there was reduced water demand from industrial customers in Jubail Industrial City, likely due to the regional situation. At the same time, the Company did record higher revenues from its power and gas segments.
- Gross profit came in at SAR 202 mln, down -41% Q/Q but reversed a gross loss witnessed in 2Q2025. We are happy with a gross margin of 19%, sequentially similar and in line with expectations.
- Operating profit at SAR 141 mln more than halved sequentially and compared to last year. We note higher admin expenses of SAR 86 mln (+14% Y/Y, +15% Q/Q) while a decline in operating income did not help. Financial charges have been steadily declining sequentially and this trend continued in 2Q2026 as well, down -11% Y/Y and -2% Q/Q.
- The low operating income (resulting from lower revenues and higher fuel costs) was unable to sustain financial charges and zakat, resulting in a net loss of SAR (46) mln for the quarter versus a net profit of SAR 110 mln last year (due to provision reversal of almost SAR 500 mln) and a profit of SAR 128 mln in the preceding quarter. Stock price took a hit post results but has recovered since. We reiterate our target price and Buy recommendation.

Muhammad Faisal Potrik
muhammed.faisal@riyadcapital.com
+966-11-203-6807

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Stock Rating

Buy	Neutral	Sell	Not Rated
Expected Total Return Greater than +15%	Expected Total Return between -15% and +15%	Expected Total Return less than -15%	Under Review/ Restricted

The expected percentage returns are indicative, stock recommendations also incorporate relevant qualitative factors

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